



Statement of Work for Benchmarking DTS Network Costs/Rates

Action Item

Recommendation: Approve statement of work to compare DTS network costs, rates, and performance with those of other public and private services providers.

Executive Summary

The Department of Technology Services (DTS) provides a variety of information technology services to state departments and local governments, which pay DTS for its operational costs. These revenues are provided through fees or “rates” that are based on the costs of providing the services. In general, it is believed that data centers provide services at a lower cost than individual agencies. However, the State’s data centers did not typically compare their rates against public or private industry rates. Since DTS’ focus has been on consolidating and realigning rates, it is unknown how DTS rates compare to other public or private data centers. For this reason, the Technology Service Board’s (TSB) Services Committee directed DTS to acquire an independent consultant to benchmark DTS network costs and rates against organizations of similar size and complexity.

Past Studies Did Not Compare Rates

Since the creation of state data centers in 1972, there have been a number of data center rate studies. Most of these studies focused on how data centers established and calculated costs and rates. For the most part, these studies did not include a comparison of state data center costs and rates to other public or private industry data centers. However, it has been generally believed that state data centers costs and rates were comparable to private industry.

Unknown How DTS Costs and Rates Compare

Since its establishment in 2005, DTS has prepared three rate packages that have included changes to several different costs and rates. The focus of these rate packages has been on consolidating the rates of the Stephen P. Teale and Health and Human



Services Agency Data Centers. In addition, the last two rate packages have begun an effort to realign DTS rates. (For more information on DTS rate unification, please see the March 29, 2006 TSB Meeting Agenda.)

At its December 2006 meeting, the TSB Services Committee discussed the latest proposed DTS rate package and its impact to departments. The committee found that it could not compare the proposed network costs and rates to other public or private entities since this information is not available. As a result, the committee directed DTS to acquire an independent consultant to benchmark DTS network rates with other providers of similar services.

Approve Statement of Work to Compare Costs and Rates

Under the direction of the Services Committee, we recommend that the TSB approve the following statement of work for an independent consultant to compare DTS costs, rates, and performance with those of other public and private service providers. Specifically, the comparison shall include:

- Establishment of baseline rates, costs, and performance.
- Comparisons of DTS rates and costs with the costs and rates of both public and private service providers.
- Comparison of data center costs to those costs that departments would incur for the development and support of similar services.
- Recommendations on how DTS can improve its costs and rates.
- Identification of best practices for packaging services, establishing service levels, and recovering data center costs.